

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,

Debtors.¹

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**UPDATED JOINT STATUS REPORT OF MOVANT AMBAC ASSURANCE
CORPORATION AND RESPONDENTS THE FINANCIAL OVERSIGHT
AND MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE
OF THE COMMONWEALTH OF PUERTO RICO, AND THE PUERTO RICO
FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY WITH
RESPECT TO THE RULE 2004 MOTIONS**

¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA") (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801).

To the Honorable United States Magistrate Judge Judith Gail Dein:

Movant Ambac Assurance Corporation (“Ambac”) and Respondents the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as representative of the Commonwealth of Puerto Rico (the “Commonwealth” or “Debtor”) pursuant to section 315(b) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), and the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF,” and together with the Oversight Board, the “Government Parties”),² respectfully submit this Updated Joint Status Report in response to the Court orders dated January 23, 2020 (Dkt. No. 10332) and February 6, 2020 (Dkt. No. 10727).

I. STATUS UPDATE REGARDING AMBAC’S RULE 2004 REQUESTS

1. On October 28, 2019, Ambac filed *Ambac Assurance Corporation’s Motion for Entry of Order Authorizing Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Assets* (Dkt. No. 9022) (the “Assets Motion”), and *Ambac Assurance Corporation’s Motion for Entry of Order Authorizing Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Cash Restriction Analysis* (Dkt. No. 9023) (the “Cash Motion,” and together with the Assets Motion, the “Rule 2004 Motions”).

2. On November 8, 2019, the Government Parties filed the *Urgent Motion of Financial Oversight and Management Board for Puerto Rico and Puerto Rico Fiscal Agency and Financial Advisory Authority to Strike (A) Ambac Assurance Corporation’s Motion for Entry of Order Authorizing Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Assets [ECF No. 9022] and (B) Ambac Assurance Corporation’s Motion for Entry of Order Authorizing*

² Ambac and the Government Parties are collectively referred to as the “Parties.”

Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Cash Restriction Analysis [ECF No. 9023] and for Sanctions (Dkt. No. 9131) (the “Motion to Strike”).

3. On January 23, 2020, Judge Swain issued a memorandum order denying the Motion to Strike (Dkt. No. 10332) (the “Memorandum Order”). The Memorandum Order directed the parties to meet and confer by February 3, 2020 concerning the scope and mechanics of discovery responsive to the Rule 2004 Motions. *Id.* at 9.

4. On February 12, 2020, the parties filed *Joint Status Report of Movant Ambac Assurance Corporation and Respondents the Financial Oversight and Management Board for Puerto Rico, as Representative of the Commonwealth of Puerto Rico, and the Puerto Rico Fiscal Agency and Financial Advisory Authority with Respect to the Rule 2004 Motions* (Dkt. No. 10875) (the “February 12 Joint Status Report”), detailing their February 3, 2020 telephonic conference, following communications, and agreed parameters for the resolution of disputed aspects of the Rule 2004 Motions. The Parties incorporate herein the procedural background set forth in the February 12 Joint Status Report.³

5. In the February 12 Joint Status Report, the Parties agreed to file an Updated Joint Status Report on February 26, 2020.

6. On February 26, 2020, the parties filed *Updated Joint Status Report of Movant Ambac Assurance Corporation and Respondents the Financial Oversight and Management Board for Puerto Rico, as Representative of the Commonwealth of Puerto Rico, and the Puerto Rico Fiscal Agency and Financial Advisory Authority with Respect to the Rule 2004 Motions* (Dkt. No. 11787) (the “February 26 Joint Status Report”), detailing their February 25, 2020 telephonic

³ Unless otherwise noted, capitalized terms herein shall have the meaning ascribed to them in the February 12 Joint Status Report.

conference, related communications, and agreed parameters for the resolution of disputed aspects of the Rule 2004 Motions.

7. The Parties agreed in the February 26 Joint Status Report to have another meet-and-confer and to file an Updated Joint Status Report on March 20, 2020.

8. On March 11, 2020, Ambac sent the Government Parties a letter via email (attached as Exhibit A) to memorialize and follow-up on their February 25, 2020 telephonic conference (the “March 11 Letter”). The March 11 Letter reiterated that Ambac seeks Rule 30(b)(6) depositions on the subject matter of the Prioritized Requests. The March 11 Letter also requested updates regarding the Government Parties’ production of documents responsive to the Prioritized Requests for which the Parties have reached agreement, and the Government Parties’ positions on the Prioritized Requests that remain in dispute.

9. On March 16, 2020, the Parties met and conferred by telephone. The Government Parties agreed to consider producing valuation, alienation, and encumbrance documents for certain, specified assets of the Commonwealth and its instrumentalities identified by Ambac, and Ambac provided a list of such properties following the conference (Prioritized Assets Request 1). The Government Parties advised that they are in the process of collecting and reviewing documents relating to the 23 properties identified as sold in the August 2019 HTA Report (Prioritized Assets Request 2), as well as source materials and other documents relied upon in the development of the report prepared by Duff & Phelps, including the “master database” referenced in that report (Prioritized Cash Requests 1 and 2). Ambac agreed to review that “master database” and determine whether it is sufficient to satisfy Ambac’s request for a “key” to the documents produced that would allow Ambac to replicate any analysis produced by the Government Parties (Prioritized Cash Request 4). The Government Parties agreed to begin producing documents in response to

Prioritized Assets Request 2 as soon as possible, and to begin producing documents in response to Prioritized Cash Requests 1, 2, and 4 by March 20. Ambac intends to review the material that the Government Parties have agreed to produce before determining whether additional discovery is necessary. Additionally, the Government Parties advised that their production of documents is conditioned on entry of a protective order. The Parties are nearing agreement on a final draft of a proposed protective order.

10. The parties discussed several other requests. The Government Parties stated that they are currently working with their respective clients to determine what additional documents responsive to Prioritized Assets Requests 3, including documents related to strategies, proposals, and transactions currently under consideration by the Real Property Valuation and Disposal Committee, are available and, if so, whether the Government Parties are willing to produce such documents. The Government Parties also advised that they are conferring with their respective clients to determine what additional information may be provided in response to Prioritized Assets Request 4. With regard to Prioritized Cash Request 3, the Government Parties advised that they continue to believe the request is overbroad and irrelevant; however, they have advised that they are in the process of working with their respective clients and agreed to provide an update to Ambac regarding the Government Parties' position.

11. After the March 16 Meet and Confer, Ambac sent the Government Parties an email (attached as Exhibit B) following up with respect to Prioritized Asset Request 1 and identifying specific Commonwealth and instrumentality assets for which Ambac seeks valuation, alienation, and encumbrance documents. On March 20, 2020, Ambac sent the Government Parties a letter via email to follow up on the Parties' March 16 telephonic conference.

12. The parties have agreed to have another meet-and-confer no later than April 3, 2020, to further discuss the outstanding issues in the hopes of narrowing or resolving areas of dispute.

13. The Parties would propose to submit an updated status report to the Court on April 10, 2020.

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Dated: March 20, 2020
San Juan, Puerto Rico

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CERTIFICATE OF SERVICE

I hereby certify that on this same date a true and exact copy of this notice was filed with the Clerk of Court using the CM/ECF system, which will notify a copy to counsel of record.

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